

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 ISO-00 SSO-00
NSCE-00 USIE-00 INRE-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 PA-01 AID-05 SS-15 STR-05 ITC-01
TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01 NEA-10 /116 W
-----039203 181730Z /43

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 0482

AMEMBASSY BOGOTA

AMEMBASSY ABIDJAN

AMEMBASSY ADDIS ABABA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY MEXICO

AMEMBASSY NAIROBI

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY ANTANANARIVO

AMEMBASSY YAOUNDE

AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY HELSINKI

AMEMBASSY PARIS

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AMEMBASSY THE HAGUE

AMEMBASSY WELLINGTON

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USEEC ALSO FOR EMBASSY

FOR: EB - ASSISTANT SECRETARY KATZ

E.O. 11652: N/A

TAGS: ETRD, EAGR, ICO, EPAP

SUBJECT: COFFEE -- EXECUTIVE BOARD DISCUSSION OF PRO-

DUCERS MEETING AND "PRICE REVIEW"

1. EXECUTIVE BOARD (EB) MEETING OF NOVEMBER 16 OPENED BY EB CHAIRMAN (FORD OF UK) WHO CALLED ATTENTION TO PRESS RELEASE (REFTEL) ISSUED PREVIOUS DAY BY PRODUCERS AT CONCLUSION OF THEIR MEETING. FORD SAID THIS RELEASE PLUS RECENT PRESS SPECULATION HAD CREATED CERTAIN TENSION BETWEEN PRODUCERS AND CONSUMERS WHICH HE HOPED MEETING COULD ELIMINATE.

2. BRAZIL (RACHE) REQUESTED FLOOR TO MAKE STATEMENT ON PRODUCERS MEETING. SPEAKING AS CHAIRMAN OF PRODUCERS GROUP, RACHE SAID MEETING HAD BEEN REQUESTED BY BRAZIL AND COLOMBIA PRIOR TO EB BECAUSE PRODUCERS HAD BEEN UNABLE TO HOLD CUSTOMARY CAUCUS DURING SEPTEMBER COUNCIL MEETING (COMMENT: DUE TO BRAZIL/COLOMBIA DISPUTE OVER SALES POLICIES). RACHE SAID MEETING HAD BEEN VERY SATISFACTORY; THAT PRODUCERS HAD REVIEWED THE SUPPLY OUTLOOK AND CONCLUDED AVAILABILITIES ARE LOW; THAT PRODUCERS REITERATED THE URGENCY OF ADOPTING SUCH MEASURES AS THE MEXICAN PROPOSALS ON STOCKING TO ELIMINATE VIOLENT PRICE SWINGS; AND THAT PRODUCERS HAD ALSO CONCLUDED THAT IT WAS URGENT FOR PRODUCERS AND CONSUMERS TO REVIEW THE PRICE TRIGGERS IN THE ICA WHICH DETERMINE THE LEVEL AT WHICH THE ECONOMIC PROVISIONS FUNCTION. RACHE ALSO DEPLORED THE MIS-INFORMATION AND LIMITED OFFICIAL USE

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SPECULATION IN RECENT PRESS REPORTS.

3. U.S. (O'DONNELL) SAID THAT THE USG FOR ONE HAD BEEN SERIOUSLY CONCERNED OVER REPORTS PRODUCERS WERE MEETING TO COORDINATE THEIR MARKETING STRATEGIES. SUCH ACTION WOULD BE A CLEAR VIOLATION OF THE SPIRIT AND LETTER OF THE ICA AND WOULD FORCE THE USG TO RECONSIDER ITS COMMITMENT TO THE AGREEMENT. THE U.S. REP WAS ENCOURAGED THAT THE PRODUCER SPOKESMAN HAD MADE NO REFERENCE TO SUCH AN EFFORT AND HE WOULD LIKE TO HEAR FURTHER DETAILS

4. COLOMBIA (SANTOS) EXPRESSED SURPRISE AT CHAIRMAN'S REFERENCE TO TENSIONS. HE SAID THERE WAS NO NEED FOR TENSION TO RESULT FROM A ROUTINE PRODUCERS MEETING WHICH SHOULD HAVE TAKEN PLACE IN SEPTEMBER. PRODUCERS HAD ONLY EXCHANGED VIEWS AND INFORMATION. THEY HAD NOT CONSIDERED ARTIFICIAL MEANS TO KEEP PRICES UP WHICH WOULD WORK AGAINST THEM GIVEN CURRENT TRENDS IN CONSUMPTION. COLOMBIA ALSO SUPPORTED A PROMPT STUDY OF THE REVISION OF PRICE TRIGGERS BECAUSE "EVENTS ARE FORCING OUR HAND".

5. OAMCAF (GERVAIS) ASSOCIATED ITSELF WITH BRAZIL AND COLOMBIA STATEMENT ADDING IT ADHERES TO ICA AND HAS NO WISH TO END COOPERATION WITH CONSUMERS ALTHOUGH IT IS CONCERNED BY MEASURES SUCH AS BOYCOTTS WHICH ARE DIRECTED AGAINST CONSUMPTION.

6. FRG (RORIG) RAISED QUESTION ON PRESS RELEASE SAYING IT VERY BRIEF FOR A TWO DAY MEETING AND REQUESTING MORE DETAIL. SPECIFICALLY FRG ASKED WHAT WAS MEANT BY "ENSURING ORDERLY SUPPLIES AT REMUNERATIVE PRICES". POINTING OUT THAT MANY COUNTRIES ARE EXPERIENCING SHARP DECLINES IN CONSUMPTION, FRG ASKED IF PRODUCERS HAVE AN IDEA OF WHAT IS A REMUNERATIVE PRICE THAT DOES NOT

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TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01 NEA-10 /116 W
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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 0483

AMEMBASSY BOGOTA

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FURTHER HAMPER CONSUMPTION. BRAZIL RESPONDED THAT PRODUCERS HAD NOT DISCUSSED COST OF PRODUCTION.

7. SWITZERLAND SAID IT WAS MYSTIFIED BY PRESS STATEMENT THAT PRODUCERS HAD DECIDED TO MAINTAIN A SYSTEM FOR EXCHANGE OF INFORMATION. DID THAT MEAN PRODUCERS HAD SET UP AN ORGANIZATION OR STRUCTURE. BRAZIL REPLIED IT MEANT THAT PRODUCERS WOULD MEET ROUTINELY AND EXCHANGE INFORMATION. U.S. ASKED IF THIS INFORMATION WOULD BE MADE AVAILABLE TO CONSUMERS AS WELL. BRAZIL REPLIED "YES, BOTH FORMALLY AND INFORMALLY".

8. DISCUSSION OF PRODUCERS PRESS RELEASE ENDED WHEN CHAIRMAN NOTED CONSUMERS HAD SCHEDULED A CAUCUS FOR EARLY AFTERNOON AND PERHAPS WOULD HAVE FURTHER VIEWS TO EXPRESS AFTER THAT. AT AFTERNOON SESSION ACTING CONSUMER SPOKESMAN (SCHWEISGUTH OF FRANCE) SAID CONSUMERS HAD CONSIDERED THE STATEMENTS OF THE PRODUCING COUNTRIES CONSUMERS, AS INDICATED AT SEPTEMBER COUNCIL MEETING, ARE WILLING TO CONSIDER THE REVISION OF THE TRIGGER POINTS BEFORE 30 SEPTEMBER 1978. HOWEVER, CONSUMERS BELIEVE ANY CHANGES IN THE CURRENT PROVISIONS MUST BE MADE STEP BY STEP AND A GOOD PLACE TO START WOULD BE TO COMPLETE THE REVIEW OF INDICATOR PRICES. CONSUMERS ARE NOT WILLING TO RENEGOTIATE THE ICA, ONLY TO REVIEW THOSE PROVISIONS WHICH ARE CALLED FOR BY THE RULES. FRG AND U.S. BOTH INDICATED THAT THEY WERE WILLING TO REVIEW ONLY THE TRIGGER POINTS CONTAINED IN ARTICLE 33 PARA 3 AND NOT THE PRICE RANGE CONTAINED IN ARTICLE 38 OF THE ICA.

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9. AFTER CONSIDERABLE DEBATE, MEXICO (GURRIA) PROPOSED THAT THE BOARD AGREE TO FOCUS ON A REVIEW OF THE PRICE TRIGGERS IN ARTICLE 33 PARA 3 AND THAT THE EXECUTIVE DIRECTOR BE REQUESTED TO PREPARE BACKGROUND INFORMATION FOR SUCH A REVIEW. THE EXECUTIVE DIRECTOR COULD REPORT ON THE STATUS OF HIS PREPARATIONS AT THE DECEMBER BOARD MEETING IN RIO AND THE BOARD COULD THEN DISCUSS THE TIMING OF SUCH A REVIEW.

10. THE U.S. ACCEPTED THE MEXICAN PROPOSAL WITH THE PROVISIO THAT AT THE DECEMBER MEETING MEMBERS WOULD REVIEW THE EXTENT OF THE EXECUTIVE DIRECTOR'S PREPARATORY MATERIALS AND COULD REQUEST ADDITIONAL STUDIES AND INFORMATION. GUATEMALA SUGGESTED THE DECEMBER MEETING DISCUSS THE SUBSTANCE OF THE EXECUTIVE DIRECTOR'S REPORTS. BOTH THE FRG AND U.S. STATED EMPHATICALLY THAT THEY COULD NOT AGREE TO A SUBSTANTIVE DISCUSSION IN DECEMBER. THEY WERE PREPARED TO DISCUSS PROCEDURE AND TIMING OF THE PRICE REVIEW AND NOTHING MORE. ON THAT BASIS THE FRG AND U.S. AGREE TO INCLUDE AN ITEM ON "PRICE REVIEW" ON THE DECEMBER AGENDA.

11. COMMENT: THE U.S. DEMARCHE IN PRODUCING COUNTRY CAPITALS APPEARS TO HAVE BEEN EFFECTIVE IN DISSUADING MAJOR EXPORTERS FROM FURTHER IRRESPONSIBLE PRESS STATEMENTS AND IN CONVINCING THEM OF THE SERIOUSNESS WITH WHICH THE U.S. VIEWS THEIR EARLIER ACTIVITIES. U.S. VIEWS WERE ECHOED BY OTHER IMPORTANT IMPORTERS BOTH FORMALLY AND INFORMALLY. THE PRODUCERS CLEARLY SOUGHT TO AVOID A CONFRONTATION WITH CONSUMERS AND APPEARED MORE FULLY AWARE THAN IN THE RECENT PAST THAT THEY MAY HAVE NEED FOR AN OPERATIVE ICA IN THE NOT TOO DISTANT FUTURE. HENCE THE PRODUCER STRESS ON REVIEWING THE PRICE TRIGGERS. THE U.S. REP MADE CLEAR THAT WE DO NOT YET HAVE THE LEGISLATIVE AUTHORITY TO IMPLEMENT THE ECONOMIC PROVISIONS OF AN ICA AND THAT WHEN OR WHETHER

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WE OBTAIN SUCH LEGISLATION COULD DEPEND LARGELY ON THE FUTURE ACTIONS OF THE PRODUCERS THEMSELVES. WHILE THE PRICE REVIEW PROCEDURE WILL BE DISCUSSED AT THE DECEMBER EB, IT IS UNLIKELY THAT THE SUBSTANTIVE DISCUSSION OF THE REVIEW CAN BE STARTED BEFORE LATE FEBRUARY AT THE

EARLIEST.

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
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